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CENTRAL INTELLIGENCE BULLETIN



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25X1

DAILY BRIEF

I. THE COMMUNIST BLOC

No
USSR-Yugoslavia: Further developments at the Yugoslav party congress make remote the possibility of any Yugoslav-Soviet party reconciliation. Yugoslavia's top ideologist, Kardelj, diverged from the relatively mild prepared version of his speech to the congress to reiterate Yugoslav rejection of Soviet threats to read his country out of the Communist world. He declared, along with several other pointed remarks, that "we do not need a Marxist and Leninist certificate issued by others" to practice Communism.

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II. ASIA-AFRICA

OK
Dhahran Airfield: Saudi Defense Minister Prince Fahad has asked that the American flag no longer be flown over the United States' military installation at Dhahran. This request is in line with the recent Saudi public statement outlining a policy of "positive neutrality" opposing pacts with non-Arab states, and specifically denying that Dhahran is an American "base." (Page 2)

25X1A

i

25X1A

Suez Canal compensation: Egypt and the old Suez Canal Company have reached agreement on compensation; it may take two months to work out the details. The terms are close to Nasir's recent offer of about \$65,000,000 for the company's nationalized property, payable in installments, plus some \$14,000,000 which the company would retain from canal tolls it collected after nationalization. Nasir has wanted a quick settlement, and the British have pressed the company to resolve this issue before Nasir's departure for Moscow scheduled for 29 April.

25X1A

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Watch Committee conclusion -- Indonesia: There is no evidence of Sino-Soviet intention to become militarily involved in Indonesia. Developments continue to favor local Communist and Sino-Soviet bloc exploitation of the situation. A military defeat of the dissidents would not resolve the basic issues which led to the revolt.

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Ceylon: Strikes by railway, postal, and port workers are placing considerable new pressure on Prime Minister Bandaranaike, whose government is already plagued by agitation over recognition of Tamil as an official language. Should the strikes spread to other government workers and

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employees in private industry, they would, as did those of last November, result in economic disruption throughout the island. Governor General Goonetilleke has called on the army and navy to run essential services. Two days before the strike, he held that conditions were approaching crisis proportions, and that a general election could lead to the coming to power of Trotskyite N. M. Perera. Bandaranaike has successfully weathered similar crises before, however, and a serious threat to his government has not yet developed.

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III. THE WEST

OK

Chile: President Ibanez plans to ask the Chilean congress to repeal the law which bans the Communist party and may also support the proposal of left-wing presidential candidate Allende to increase appreciably the tax burden on US-owned copper companies. Both moves would be in response to the recent rise in leftist and anti-US sentiment occasioned by the copper question.

25X1A

25 Apr 58

DAILY BRIEF

iii

25X1A

25X1

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II. ASIA-AFRICA

Saudis Ask That United States Flag Not Be Flown at Dhahran Airfield

The request by the Saudi defense minister on 16 April that the United States discontinue flying its flag over the American military installation at Dhahran Airfield reflects Crown Prince Faysal's effort to implement the Saudi Government's recently announced policy of "positive neutrality." The Saudi request is also in line with the specific declaration in Faysal's foreign policy statement of 18 April that Dhahran is not an American base, but a Saudi base at which the United States enjoys certain transit and servicing facilities.

Faysal apparently wants to establish a basis for reconciliation with Nasir, whose propaganda has accused the Saudi dynasty of yielding sovereignty to alien interests.

The Saudi request is based on the contention that foreign flags should not fly on Saudi soil. The American commander at Dhahran explained to Defense Minister Prince Fahad that the present King's father had permitted the American flag to be flown as long as it remained imbedded in a concrete block above ground and was not actually in Saudi soil. The precedent may not be upheld, however, since the objection to flying the flag is understood to be shared by Faysal.

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25X1

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III. THE WEST

Chilean Left Benefits From Anti-US Feeling on Copper Question

Chilean President Ibanez may support the proposal of the left-wing Communist-supported presidential candidate Salvador Allende to increase the tax burdens on the US-owned copper companies whose investments total over \$500,000,000. The proposal would also divest the US companies of control over the sale of their products. This action would be in response to increasing leftist sentiment occasioned largely by irritation against the United States on the copper question. This sentiment may also lead him to propose to Congress the repeal of the law which since 1947 has banned the Communist party.

Chile, which receives 65 percent of its foreign exchange from copper, has been hard hit by the drop in the price of copper from 46 cents in 1956 to its present 25 cents per pound. These developments, added to the enfranchisement of Communist party members, are expected to greatly strengthen Allende's already good chances in the 4 September presidential elections.

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25 Apr 58 CENTRAL INTELLIGENCE BULLETIN Page 5

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